



Albina Community Bancorp

# 2009 ANNUAL REPORT

# Community Impact Scorecard

At Albina Community Bank, we believe that we can make a meaningful difference in our local neighborhoods. It's why we exist. Thanks to your continued support, we're doing everything we can to provide hope and financial opportunity by building lasting banking relationships with those who care most about our communities.

<b>Community Impact Scorecard</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>Since 2002</b>
<i>Nonprofit organizations as customers</i>	468	439	415	402 (Avg.)
<i>Funds generated by The Loop VISA™ Card (Formerly Scholastic Plastic) (1)</i>	\$11,878	\$21,104	\$17,047	\$85,416
<i>New commercial loans (# / \$)</i>	144 / \$11,128,720	109 / \$34,939,332	118 / \$75,625,140	1,129 / \$273,751,473
<i>New business micro loans (# / \$) (2)</i>	50 / \$1,123,036	34 / \$548,421	41 / \$849,768	304 / \$5,976,639
<i>Small Business Administration Loans (SBA) (# / \$)</i>	86 / \$5,509,395	22 / \$1,237,537	25 / \$2,566,350	201 / \$12,975,212
<i>Jobs created/maintained from loans</i>	107 / 734	99 / 1,308	50 / 915	621 / 4,831
<i>Affordable housing development loans (# units / \$) (3)</i>	2 / \$400,000	50 / \$2,600,000	112 / \$13,926,550	380 / \$28,024,352
<i>Affordable housing homeowner loans (# units / \$)</i>	9 / \$824,716	10 / \$1,654,774	15 / \$2,617,591	235 / \$26,658,788
<i>Total volunteer hours by employees</i>	1,620	1,979	2,713	23,393
<i>Albina diversity score (4)</i>	27%	28%	31%	37% (Avg.)

- (1) Funds benefit local nonprofit organizations in area designated by cardholders: Education; Health/Social Services; Environment; The Arts; and Economic Development
- (2) Business loans under \$50,000
- (3) Based on 80% of median income for a family of four
- (4) Percent of staff of racial or ethnic minority



Member FDIC  
Equal Opportunity Lender  
Equal Housing Lender

# About Albina

We were created with a purpose. From the beginning we've had a mission and a passion to improve local neighborhoods and touch the lives within them.

Albina Community Bank offers the products and services you would expect from a great commercial bank. And because we understand that deposits work hardest in Portland, we also extend an opportunity to help make a meaningful difference right here. It's why Albina Community Bank was founded in 1995. As the sole subsidiary of Albina Community Bancorp, we're Oregon's only commercial bank certified as a community development financial institution (CDFI) by the U.S. Treasury Department, and just one of 61 across the country.

We're proud to remain locally owned and operated by individual shareholders throughout our community. We invest in individuals and businesses in our local neighborhoods because we live here, and know them by name. It's why you'll find our commitment, care and dedication to each and every customer simply exceptional. It's what we believe in.

## Products / Services

From personal banking to business banking to specialty programs, we have it all. Our full range of banking products and services was designed for people who live and work in Portland neighborhoods.

### **Administrative Offices**

430 NW 10th Ave., Suite 101  
Portland, OR 97209  
Phone: 503-288-7293

### **MLK Office**

2002 NE MLK Jr. Blvd.  
Portland, OR 97212  
503-287-7537

### **St. Johns Office**

8040 N. Lombard St.  
Portland, OR 97203  
503-285-9966

### **Social Impact Banking Office**

430 NW 10th Ave.  
Portland, OR 97209  
503-445-2150

### **Rose City Office**

5636 NE Sandy Blvd.  
Portland, OR 97213  
503-445-8700

### **Beaumont Office**

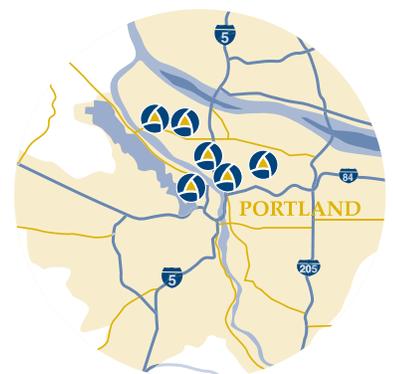
4020B NE Fremont St.  
Portland, OR 97212  
503-445-8720

### **New Columbia Remote ATM**

4610 N. Trenton St.  
Portland, OR 97203

### **Alternative Service Delivery Options:**

- Free Cash Withdrawals at thousands of MoneyPass® ATMs across the country
- Quick Click Deposit (Remote Deposit Capture)
- Consumer and Business Online Banking and Cash Management services
- Deposit services at partner bank locations
- Deposit Courier services



# Fellow Shareholders and Portland Neighbors,

We were founded at a time when underserved individuals and small local businesses needed access to credit. Our goal was to add a resource to the community, to provide hope and opportunity for individuals and businesses in Portland neighborhoods. It's what we've done for the past fifteen years.

Both the Bank and Bancorp were designed to improve local housing and business development issues in a market plagued by distress and low-income statistics. Today, we find ourselves at a similar crossroad. And we remain optimistic.

It was a challenging year for our local neighborhoods. It was a challenging year for the bank. As your local community development bank, we have been significantly impacted by the sharp and prolonged downturn in the economy and the Northwest housing market. Precipitous declines in the value of underlying real estate collateral resulted in a substantially increased level of loan loss provision expense. For the full year, Albina recorded a total provision for loan losses of \$11.1 million contributing to a net loss of \$9.5 million. The provision expense has overwhelmingly been related to residential construction and development loans. Those projects, begun prior to the economic crisis, collapsed as property values fell along with demand. The collapse began in 2008, and accelerated through 2009.

We continue to aggressively address the issues caused by the economic downturn, and to actively work to reduce the level of nonperforming loans. We are encouraged by progress in reducing problem assets, in particular, the bank's exposure to residential real estate construction and development loans. We remain vigilant about existing and developing challenges with investor-owned commercial real estate properties, as well as amongst our commercial and industrial borrowers. Although we anticipate that 2010 will be another challenging year, we are making progress on reducing the overall level of non-performing loans, and in disposing of foreclosed real estate properties. We are also working diligently to meet the terms of our agreements with bank regulators. That work includes our ongoing efforts to decrease the overall level of non-performing loans, as well as to increase the capital levels of the company.

In the meantime, it's important to cherish what we do have and the vast impact that we have made in Portland neighborhoods.

In celebrating our fifteenth anniversary, we're proud of the work we've completed. Since we began tracking in 2002, we have created 621 local jobs and have supported another 4,831 jobs through over \$300 million in business lending. We've provided 615 units of affordable housing in the area, totaling over \$50 million in development. We're also proud of our Albina employees who bring their knowledge, commitment, and outstanding service to provide the best in service and care. The bank's outstanding employees have dedicated over 23,000 volunteer hours to our communities since 2002.

Our unique and meaningful social mission sets us apart, and we are seeing significant growth in new business and customer relationships. We believe that people are responding to the home-town banking approach, noting that the bank increased checking account deposits by a whopping 43% last year!

We truly appreciate our strong and loyal customer base, our shareholders who refer their friends and family, and the partnerships we've established with a variety of city, regional and national organizations.

Now, more than ever, the communities we serve need access to the credit and banking services we offer as a community development bank.

The Small Business Administration (SBA) introduced America's Recovery Capital (ARC) loan in June 2009 to provide viable small businesses with financial relief from current financial hardships in order to prevent businesses from closing. Although these loans are 100% guaranteed by the SBA, the bank collects no additional fee income from these loans. Albina was the first Oregon bank to disburse on an ARC loan. Through the end of the year, Albina had completed 62 of the total 88 ARC loans approved in the SBA's Oregon and Southwest Washington district, making us the #1 ARC lender in the Oregon District, and the #7 ARC lender nationally.

The economic crisis has caused the people we serve to seek a connection between the financial institution they use and the neighborhoods in which they live. We remain committed to fulfilling our mission to serve the needs of a broad range of customers, especially low-to-moderate income individuals and small business owners right here in Portland. Since we were founded, the bank has responded to the needs and goals of our local neighborhoods through our lending products and various financial services.

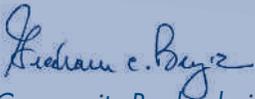
This focus is what Michael C. Henderson intended when he helped found the institution in 1995. Mike has been our founding Chair of the Board of Directors of the Bank and the Bancorp until his retirement for health reasons in December. Mike's compassion for our local neighborhoods, guidance in management, accounting and corporate finance has been invaluable in Albina's formation and growth. We owe him a great debt for his contribution to our development and growth.

Subsequent to Mike's retirement, the boards elected Graham Bryce to chair the board of directors of the Bank, and James Bradshaw to chair the board of directors of the Bancorp.

Walking in the shoes of those who have gone before us, we're excited at the opportunity to continue the important work that was begun in 1995. Our Board of Directors and management team is fully engaged and committed to actions and strategies that will strengthen the Bank and position Albina for a long and healthy future.

Thank you for your continued support and patience.

  
**Jim Bradshaw**  
*Albina Community Bancorp, chairman of the board*

  
**Graham Bryce**  
*Albina Community Bank, chairman of the board*

  
**Robert McKean**  
*Albina Community Bancorp, president and  
chief executive officer  
Albina Community Bank, chief executive officer*

  
**Cheryl Cebula**  
*Albina Community Bank, president and  
chief operating officer*

# Management

They come from many different professions and Portland neighborhoods, but share a similar passion. These individuals believe that together we can continue to provide hope and financial opportunity for our neighbors by remaining a strong and stable financial organization dedicated to improving our local neighborhoods.

## Management: (From left)

- Cheryl Cebula, *president and chief operating officer, Albina Community Bank*
- Linda Merrill, *senior vice president and retail service manager, Albina Community Bank*
- Jim Schlotfeldt, *executive vice president and chief financial officer, Albina Community Bancorp*
- Robert McKean, *chief executive officer and director of Albina Community Bank; president, chief executive officer, and director of Albina Community Bancorp*

# Board of Directors

- James Bradshaw, *senior equity analyst, Bridge City Capital, chairman of Albina Community Bancorp, director of Albina Community Bank*
- Graham Bryce, *QG Investment Co., chairman of Albina Community Bank*
- Bernard Foster, *The Skanner News Group, director of Albina Community Bancorp*
- Ted Gilbert, *Baron Equities and Resources, Inc., director of Albina Community Bancorp*
- Sheila Holden, *PacifiCorp, director of Albina Community Bancorp*
- Robert McKean, *chief executive officer, director of Albina Community Bank and Bancorp*
- Howard Shapiro, *vice chairman of Albina Community Bank*
- Jeana Woolley, *JM Woolley & Associates, director of Albina Community Bancorp*



# Hydrate. Caffeinate. Refresh.

The beauty in Portland small businesses is their unique personalities. It's the personal service they provide, and the way they best understand the job creation and the good karma that happens right here. For the past 17 years, Percasso Coffee and Bottled Water Service, Inc. has provided Portland businesses with a single source for coffee, bottled and filtered water, soft drinks and paper products.

To Matt Burr, owner of Percasso, being locally-owned and operated brings the satisfaction of developing relationships with businesses, and being a good boss. Percasso employees enjoy coming to work everyday. "Small businesses create problem-solvers, and Percasso employees are encouraged to put their good ideas into action."

"A local business is more of a customer-service driven business."

Matt still enjoys getting out of the office and the "physical-ness" of personally delivering Percasso products and connecting with customers. It's how he started the business as a one-man army in 1993. Eight employees later, the business remains as dedicated as ever to raising the standards of office coffee and bottled water service.

"A local business is more of a customer-service driven business," differentiated Matt.

We go that extra mile and understand the local situation." As businesses evaluated expenses throughout the recent economic recession, Percasso proactively contacted customers with solutions to better work within their budgets. Naturally, the business also supports and provides locally roasted coffee like Stumptown Coffee, Portland



Roasting, Longbottom, and Nossa Familia. Their bottled water is from a local source, which Matt believes reduces the carbon footprint of delivering water.

It also supports a local bank. "Albina Community Bank has the same 'local' focus as Percasso, to provide exceptional service," stated Matt. One of a few banks in the city participating in the SBA's America's Recovery Capital (ARC) loan program, Albina provided an ARC loan in 2009 to help Percasso pay off debt incurred during the economic downturn and help retain employees. "Throughout the lending process, Albina bankers took the time to understand my business and its needs." It's what sets a local community bank apart.

Please visit [www.percasso.com](http://www.percasso.com). Hydrate. Caffeinate. Refresh. Have some fun along the way.

"Throughout the lending process, Albina bankers took the time to understand my business and its needs."



# Creating A Home

Hundreds of children in the Portland Public Schools district will fall asleep on the floor tonight. There are 3,300 families each year that are beginning again. They may be escaping domestic violence, leaving their countries or the streets, or living on a limited income as an elderly person.

Through our donations of mattresses and other gently used household items and furnishings, we can help. Community Warehouse is a Portland-based nonprofit that recycles donated items and gives them to individuals and families in need. Through partnerships with over 90 social service agencies, the Warehouse helps over 200 people each week create a home. "Each day we hear about individuals and families who need towels, basic cooking essentials or dishes," shared Kristy Woods, Executive Director since 2005. "We know that kids don't have beds

"In 2009, the organization collected and distributed 3,297 mattresses to families in need."

or blankets, but are expected to learn the next day." In 2009, the organization collected and distributed 3,297 mattresses to families in need.

This is what Roz Babener and Fineke Brasser intended when they founded the nonprofit in 2001 and began storing donated items in storage units. "It's the smiles and excitement of the families that is most rewarding," stated Roz. The Warehouse's 75 active volunteers and 8 employees would agree. The heart and soul of the organization, these individuals help price and sell vintage antique items, repair furniture, or help families pick out items.

One of those volunteers is Teri Karren-Keith, Vice President and Branch Manager at Albina's MLK Office who enjoys making a difference in local



neighborhoods and supporting her customers. Serving on the Warehouse's board of directors since 2006, Teri has held numerous towel drives at the bank to support the cause. With a shared mission to improve the lives of individuals and families, the Warehouse was a natural fit for Portland's local bank. "Teri's financial expertise and the relationship we've established with Albina is incredible, especially as we work to complete a \$1.2 million capital campaign in 2010 to purchase our current location at 3969 NE MLK Jr. Blvd.," stated Kristy.

*"Teri's financial expertise and the relationship we've established with Albina is incredible."*

As funding for nonprofits becomes scarcer, the Warehouse continues to show its entrepreneurial spirit. Each spring, over 100 local artists choose a chair and create a one-of-a-kind piece of functional art to be auctioned at the "Chair Affair." The

organization's Estate Store sells donated antiques, collectibles or retro items at great prices, and alone pays for the cost of serving 25 families each week. Other more random items are sold at their weekend Garage Sales, or through online sales. These creative efforts are what keep it exciting for the organization. Along with the sense of accomplishment they feel by helping children and families fall asleep cozier each night.

To recycle household goods and give them to a family in need, or find out more about how a local nonprofit is helping families create a home, please visit [www.communitywarehouse.com](http://www.communitywarehouse.com).



# How a 105 year old business looks...

Brothers wouldn't be brothers without some good fun-loving ribbing. Tom Jr. and Steve Reid are definitely brothers. They're also co-owners of Pioneer Oil, a Portland business since 1905. The local fleet fueling company provides reliable, safe and economical bulk and on-site deliveries of petroleum products to over 200 companies throughout the Portland metropolitan area. Family-owned and operated since 1940, Tom Sr. would have been proud to see how his boys have grown the business since starting out as a residential oil delivery and furnace repair service.

After purchasing the business from their father in 1979, Tom Jr. and Steve were pleased that their father continued to work part-time and delivered oil into his 70's. Although they've continued their father's commitment to top customer service, the business has changed quite a bit since

*"Times change, and we've continued to diversify our business and look for new opportunities in the industry."*

Tom Jr. remembers learning to drive in the company's one tank delivery truck in 1970. "Times change," noted Steve, "and we've continued to diversify our business and look for new opportunities in the industry." Seventeen trucks later, Pioneer Oil specializes in on-site computerized fleet fueling of commercial vehicles and bulk deliveries of diesel, biodiesel and unleaded motor fuel 24/7.

In the best interest of customers and the environment, Pioneer Oil is committed to environmental compliance and emergency training and provides the best in education and training for employees. The brothers take pride in the cleanliness and condition of their trucks and offices, the state-of-the-art computerized delivery system, along with the professionalism of the company's 24 employees.



"At the core of our business, we want to do the best that we can and make people happy," summarized Steve. "We also want to provide a positive environment for our employees as we understand that jobs should contribute to their happiness," added his wife Patti, who's helped in the business since 1971. With employees that have been with the business for over 30 years as well, the team at Pioneer Oil knows that they're all in it together.

As a century old business grounded in personal service, Pioneer Oil was interested in beginning a relationship with a bank that also understood the meaning of local service. "After talking to five or six other banks, Albina Community Bank was able to provide more creative solutions. Michelle Lamb, Vice President and Commercial Relationship Manager, was the only one who thought differently and suggested various options for our business and personal accounts," stated Steve. Providing lending, deposit

accounts, business credit cards, cash management services, remote deposit capture, and personal banking products and services to the business and its owners, Albina works to fully understand the needs of local businesses and recommends custom-made solutions.

One day, Albina hopes to also proudly say that we've served Portland neighborhoods for over 100 years. Congratulations Pioneer Oil!

Please visit [www.pioneeroil.com](http://www.pioneeroil.com) for more information.

"...Albina Community Bank was able to provide more creative solutions."





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